

# Financial Status Report

Prepared by the Finance Department











September 30, 2013

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through September 30, 2013. It compares revenues and expenditures for the first quarter of Fiscal Year 2013-14 and Fiscal Year 2012-13. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

## San Diego County Economic Indicators

<b>August 2013</b>  Up 0.40%	 Up 0.38%
 Index of Leading Economic Indicators	 Up 1.39%
 Building Permits	 Down 0.32%
 Unemployment Insurance	 Up 1.43%

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, September 27, 2013.

### According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.4 percent in August. The advance was led by big gains in consumer confidence and the outlook for the national economy. There was also a small gain in local stock prices. These gains outweighed small declines in building permits, initial claims for unemployment insurance, and help wanted advertising to push the USD Index to its 12<sup>th</sup> consecutive monthly gain.

August's gain means that the forecast remains for positive growth in the local economy in the year ahead. However, there are some areas of concern. The breadth of the advance left something to be desired. Only three of the six components were up, the worst performance on that front since the Index declined last August. Both labor market variables were down (see chart) for the first time in nearly three years. As a result, job growth has slowed considerably. As was mentioned in last month's report, year-over-year growth comparisons have weakened since the beginning of the year, with the gain in August being only 14,800. One big potential problem at this time is the political turmoil over shutting down the government and/or extending the debt ceiling. Failure to do the latter in particular could trigger a financial crisis that would threaten to derail a fragile recovery, and the local economy is unlikely to be able to avoid the fallout from that.

Residential units authorized by building permits remain extremely volatile. After being up sharply in July, residential units authorized fell for the first time since January. This was even though the data are smoothed with a moving average to reduce month-to-month fluctuations. For the first time since December 2010, both labor market variables were negative. Job losses, as measured by initial claims for unemployment insurance, were up for the fourth consecutive month. On the other side of the labor market, help wanted advertising turned down after rising for nine months in a row. The local unemployment rate still decreased to 7.4 percent in August from 7.8 percent in July, but as mentioned above, job growth has slowed considerably since the beginning of the year. Consumer confidence continues to rise, with the measure now up four months in a row and up sharply for three consecutive months. This is significant because consumption has been about 70 percent of economic activity. Local stock prices were up modestly in July and reached their highest level since December 2007. Local prices are still down 27 percent from their all-time high set in March 2000 at the height of the dot com bubble. The national economy has recorded its second strong gain in a row and has not fallen in five months. Despite that, there is some concern that the national economy will slow in the second half of 2013. Gross Domestic Product growth for the second quarter ended up solid if not spectacular, with the third estimate showing an annualized 2.5 percent growth rate for GDP for the quarter. But some economists are expecting a slower third quarter as job growth continues to be weak. There is already concern that the Christmas buying season will be slower than initially expected.<sup>1</sup>

## General Fund Revenues



**Property Taxes (\$2.1 million)** – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 2.47 percent for Fiscal Year 2013-14. This is the first year since Fiscal Year 2008-09 that Carlsbad's assessed values have increased from year to year. This reflects a slight improvement in the housing market and new construction. The increase in this year's assessed values was due to an increase in residential and commercial properties; industrial property values actually decreased for the year.

<sup>1</sup> University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in August*, September 27, 2013.

The primary reasons that property taxes for the first three months of the new fiscal year have decreased by 17 percent as compared to the prior fiscal year are:

- Current taxes are up by \$43,000, or 5.4 percent, due to timing differences.
- Aircraft taxes are down by \$429,000, or 27.8 percent, due to timing differences.
- Supplemental taxes are down by \$17,000 or 31.8 percent, due to timing differences.
- Payments for previous years' taxes are down by \$22,000 due to a decrease in collections on past due tax bills.



**Transient Occupancy Tax (\$6.1 million)** – Transient Occupancy Taxes (TOT) for the first three months of the new fiscal year reflect an increase of \$927,000, 18 percent more than the previous year. The city's four largest hotels accounted for 76 percent of the increase. Higher occupancy and room rates throughout most of the city's other hotels also contributed to the variance. Additionally, one new hotel has opened up this year, while a smaller 126-room property is closed for renovations. In April 2013, the new 250

room Legoland hotel opened. The newly renovated Holiday Inn Express is due to reopen later in the year. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of August 2013.

Currently, there are 3,941 hotel rooms and 1,021 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 63 percent, one percentage point above last year's average.



**Sales Taxes (\$5.8 million)** – For the first three months of the new fiscal year, sales tax revenues are \$542,000 (or 10 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second quarter of the calendar year, as well as the first advance of the city's third calendar quarter of 2013 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The primary factors in the increase over the prior fiscal year is the result of a 10.8 percent increase in sales tax revenue during the second calendar quarter of 2013 and the State Board of Equalization applied a positive 3.5 percent growth factor to the monthly advances for the third calendar quarter of 2013.

For sales occurring in the second calendar quarter of 2013 (the most recent data available), key gains could be seen in new auto sales, office equipment, electronic equipment, restaurants, and apparel stores. During the same period, key declines could be seen in chemical products, service stations, recreation products, and department stores. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 6.5 percent for sales occurring in the 12 months ended June 30, 2013 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city's sales tax revenues.



**Business License Tax (\$942,000)** – Business license revenues are up \$84,000 compared to the same time period in Fiscal Year 2012-13. This increase resulted from a timing difference in one of the city's larger companies. This company paid for its current 2013 license, but the previous year's license was paid later in the year. Additionally, a new, large business relocated to Carlsbad.

There are currently 9,210 licensed businesses operating within the city, 342 more than the prior year. The majority of taxed businesses (6,456 businesses) are located in Carlsbad, with 2,547 of these businesses home-based.



**Interdepartmental Charges (\$913,000)** – Interdepartmental charges are \$119,000, or 12 percent lower than last year. These charges are generated through engineering services charged to capital projects (down 50.8 percent, or \$171,000, due to a reduction in staff time being charged to capital projects), reimbursed work from other funds (down \$3,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 7.9 percent or \$55,000). The increase in miscellaneous interdepartmental expenses charged to funds outside of the General Fund was due to the bi-annual update of the city's cost allocation plan.



**Recreation Fees (\$801,000)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The increase in revenue is attributed to a new, innovative approach towards instructional class program offerings and increased marketing of preschool programs.



**Franchise Taxes (\$723,000)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$203 over the same period last year. Cable television franchise revenues (Time Warner and AT&T) are down by \$14,000, combined with a \$26,000 increase in trash collection revenue and a negative \$12,000 timing difference in the quarterly franchise payment for the fiber optic antenna systems created this small variance.

Approximately 37 percent of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2014.



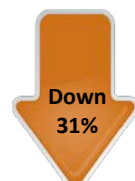
**Income from Investments and Property (\$561,000)** – For the year, income from investments and property is up \$19,000 compared to the previous fiscal year.

Interest income is up \$14,000 for the year due to the net effect of a 14.3 percent increase in the average daily cash balance combined with a decrease in the average yield on the portfolio for the year (a drop in the yield from 1.299 percent last fiscal year to 1.016 percent in the current fiscal year).

Income from property rentals is up by \$5,000 for the year primarily due to an increase in recreation site facility rentals (the various park sites as well as the municipal pool).



**Ambulance Fees (\$554,000)** – The city bills any individual who is transported in one of the city's ambulances. Through September 2013, receipts from ambulance fees are up 4 percent, or \$23,000, higher than last fiscal year at this time. The number of billable transported patients in the first three months of Fiscal Year 2013-14 (942) versus Fiscal Year 2012-13 (1,028), has decreased moderately, due in part to fewer calls for response from our neighboring cities. However, the amount billed for services rendered on transports has increased, resulting from an increase in the payer mix to more insurance company billings and fewer Medi-Cal billings.



**Development Related Revenues (\$545,000)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant decrease for the year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering



plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in September included the renovations at the Westfield Carlsbad Mall, the Vista La Costa apartment conversion project, the Railyard Lofts residential project, and a small subdivision development.

Another source of development related revenue is building permits, which are down 31 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction combined with a reduction in the number of residential building permits and the square footage of commercial/industrial permits issued. The year-to-date valuation of new construction in the current fiscal year is just over \$27.7 million, while it was just under \$47.5 million in the previous fiscal year, a 41.6 percent decrease. The pace of construction dipped in the month of September as builders pulled permits for 12 homes. Two custom homes will be built in the northwest quadrant. In the southeast quadrant, building permits were issued for three model homes in the Arterro project located northeast of the La Costa Town Square commercial site. Six homes will be constructed as part of the Westcott project in the La Costa Oaks North neighborhood. Lastly, in the northeast quadrant, a second dwelling unit will be built. For the current fiscal year, 46 residential permits were issued, as compared to 114 permits issued during the same period last year.

For the month of September, one permit was issued for the construction of a 3,091 square foot building consisting of wash/detail bays, office space, storage space, and the conversion of an existing wash bay to parts storage for Jaguar Land Rover. Year-to-date there has been 36,035 square feet of commercial/industrial permits issued, as compared to 62,612 square feet of commercial/industrial permits issued during the same period last year.

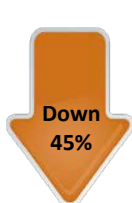


**Other Licenses and Permits (\$273,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues.



**Fines and Forfeitures (\$203,000)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues is that there has been a significant decrease in the amount of revenues received from the traffic court for code violations for the year. This can partially be explained by the fact that three motor

officers retired in December 2012 and their positions have not yet been filled as the department continues to go through a transition in staffing.



**Other Revenue Sources (\$191,000)** – Other revenue sources have decreased by \$157,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. Major factors in the decrease in revenues in the current fiscal year are

miscellaneous reimbursed expenditures received by the city last fiscal year for the triathlon, as well as flexible spending forfeitures from 2011 received in July 2012 (timing difference).



**Transfer Taxes (\$131,000)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased significantly, as the housing market has started to show signs of a slow recovery.



**Other Charges or Fees (\$105,000)** – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. Lower revenues to date are due to higher mutual aid response revenues received during the prior fiscal year.



**Other Intergovernmental Revenues (\$100,000)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$100,000 received this year are an adult learning grant, federal senior nutrition grants, as well as mandated costs and Police Officer Standard Training (POST) reimbursements.



**Vehicle License Fees (\$46,000)** – Although the city is no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represent a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures and encumbrances through the month of September 2013 are \$46.7 million, compared to \$41.1 million at the same time last year. This leaves \$99.1 million, or 68.0 percent, available through the fiscal year ending June 30, 2014. If funds were spent in the same proportion as the previous year, the General Fund would have 66.1 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at September 30, 2013 is 72.3 percent, slightly higher than the 71.6 percent available at September 30, 2012. The adopted General Fund budget for Fiscal Year 2013-14 increased by \$4.5 million due to the following factors:

- \$1 million in additional personnel costs associated with previously negotiated wage increases as well as the addition of staff to operate and maintain the newest park facility, Alga Norte Park
- \$200,000 additional transfer to the city's Self Insured Benefits Fund to assist with anticipated future pension rate increases
- \$300,000 additional transfer to the city's Infrastructure Replacement Fund for major maintenance and replacement of city infrastructure
- \$750,000 additional transfer to the city's General Liability Fund for increases to settlements and estimated claims payable
- \$1.5 million to the city's General Capital Construction Fund to pay for seven new Village and Barrio revitalization projects
- Additional costs associated with the opening of Alga Norte Park

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of September 30, 2013, \$1,066,679 has been authorized out of the contingency account, as shown in the chart below.

### CONTINGENCY ACCOUNT USE OF FUNDS

EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
Labor Negotiations	(555,000)	06/18/2013	2013-159
Special Events Grant for Christmas in July Event	(110)	07/02/2013	City Manager
Winning Teams Grant for La Costa 14U All-Star Team	(3,097)	07/26/2013	City Manager
Special Events Grant for In-Kind Services for the Carlsbad Grand Prix	(8,445)	08/27/2013	City Manager
Labor Negotiations	(498,000)	08/27/2013	2013-217
Community Spirits Grant for In-Kind Services for the Lancer Day Parade	(2,027)	09/05/2013	City Manager
<b>TOTAL USES</b>	<u>(1,066,679)</u>		
<b>AVAILABLE BALANCE</b>	<u><b>\$433,321</b></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 09/30/13	ACTUAL FY 2013 AS OF 09/30/12	ACTUAL FY 2014 AS OF 09/30/13	CHANGE FROM YTD 2013 TO YTD 2014	PERCENT CHANGE
<b>TAXES</b>					
PROPERTY TAX	\$2,405,306	\$2,545,584	\$2,120,364	(\$425,220)	-17%
SALES TAX	5,550,152	5,226,728	5,769,159	542,431	10%
TRANSIENT OCCUPANCY TAX	5,181,071	5,178,398	6,105,010	926,612	18%
FRANCHISE TAX	706,474	722,799	723,002	203	0%
BUSINESS LICENSE TAX	823,410	858,475	942,267	83,792	10%
TRANSFER TAX	80,838	77,989	131,478	53,489	69%
<b>TOTAL TAXES</b>	<b>14,747,251</b>	<b>14,609,973</b>	<b>15,791,280</b>	<b>1,181,307</b>	<b>8%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	0	55,196	45,923	(9,273)	-17%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	35,463	62,325	99,703	37,378	60%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>35,463</b>	<b>117,521</b>	<b>145,626</b>	<b>28,105</b>	<b>24%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	214,934	248,808	170,526	(78,282)	-31%
OTHER LICENSES & PERMITS	192,958	265,695	273,484	7,789	3%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>407,892</b>	<b>514,503</b>	<b>444,010</b>	<b>(70,493)</b>	<b>-14%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	86,229	176,642	67,939	(108,703)	-62%
BUILDING DEPARTMENT FEES	159,600	200,449	177,622	(22,827)	-11%
ENGINEERING FEES	139,507	165,109	128,896	(36,213)	-22%
AMBULANCE FEES	560,671	531,202	553,913	22,711	4%
RECREATION FEES	958,496	716,425	801,343	84,918	12%
OTHER CHARGES OR FEES	94,255	124,261	105,012	(19,249)	-15%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>1,998,759</b>	<b>1,914,088</b>	<b>1,834,725</b>	<b>(79,363)</b>	<b>-4%</b>
<b>FINES AND FORFEITURES</b>	<b>244,569</b>	<b>226,785</b>	<b>203,183</b>	<b>(23,602)</b>	<b>-10%</b>
<b>INCOME FROM INVESTMENTS &amp; PROPERTY</b>	<b>538,773</b>	<b>541,807</b>	<b>560,920</b>	<b>19,113</b>	<b>4%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>1,055,947</b>	<b>1,032,131</b>	<b>913,359</b>	<b>(118,772)</b>	<b>-12%</b>
<b>OTHER REVENUE SOURCES</b>	<b>154,658</b>	<b>348,406</b>	<b>190,958</b>	<b>(157,448)</b>	<b>-45%</b>
<b>TRANSFERS IN</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$19,183,314</b>	<b>19,305,214</b>	<b>\$20,084,061</b>	<b>\$778,847</b>	<b>4%</b>
(1)					
(1) Calculated General Fund revenues are 4.7% above estimates as of September 30, 2013.					



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL	AS OF 09/30/13		
	BUDGET FY 2013-14	AMOUNT COMMITTED (2)	AVAILABLE BALANCE	% AVAILABLE*
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$403,783	\$81,699	\$322,084	79.8%
CITY MANAGER	1,618,478	493,652	1,124,826	69.5%
COMMUNICATIONS	913,647	290,737	622,910	68.2%
CITY CLERK	391,101	15,763	375,338	96.0%
CITY ATTORNEY	1,483,265	320,209	1,163,056	78.4%
CITY TREASURER	229,748	47,802	181,946	79.2%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,040,022</b>	<b>1,249,862</b>	<b>3,790,160</b>	<b>75.2%</b>
<b>ADMINISTRATIVE SERVICES</b>				
FINANCE	4,591,743	1,353,871	3,237,872	70.5%
HUMAN RESOURCES	2,789,977	902,259	1,887,718	67.7%
RECORDS MANAGEMENT	579,516	170,734	408,782	70.5%
<b>TOTAL INTERNAL SERVICES</b>	<b>7,961,236</b>	<b>2,426,864</b>	<b>5,534,372</b>	<b>69.5%</b>
<b>PUBLIC SAFETY</b>				
POLICE	29,589,745	7,233,944	22,355,801	75.6%
FIRE	17,959,232	4,963,458	12,995,774	72.4%
<b>TOTAL PUBLIC SAFETY</b>	<b>47,548,977</b>	<b>12,197,402</b>	<b>35,351,575</b>	<b>74.3%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	8,839,857	2,941,086	5,898,771	66.7%
HOUSING AND NEIGHBORHOOD SERVICES	673,087	182,801	490,286	72.8%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>9,512,944</b>	<b>3,123,887</b>	<b>6,389,057</b>	<b>67.2%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	15,667,208	4,562,680	11,104,528	70.9%
LIBRARY AND ARTS	11,698,026	2,535,988	9,162,038	78.3%
<b>TOTAL COMMUNITY SERVICES</b>	<b>27,365,234</b>	<b>7,098,668</b>	<b>20,266,566</b>	<b>74.1%</b>
<b>PUBLIC WORKS</b>				
PROPERTY AND ENVIRONMENTAL MANAGEMENT	7,085,698	2,294,536	4,791,162	67.6%
TRANSPORTATION	11,229,365	3,682,771	7,546,594	67.2%
STORM DRAIN ENGINEERING	315,728	72,584	243,144	77.0%
<b>TOTAL PUBLIC WORKS</b>	<b>18,630,791</b>	<b>6,049,891</b>	<b>12,580,900</b>	<b>67.5%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (1)	15,498,485	966,650	14,531,835	93.8%
TRANSFERS OUT	13,794,349	13,541,349	253,000	1.8%
CONTINGENCY	433,321	0	433,321	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>29,726,155</b>	<b>14,507,999</b>	<b>15,218,156</b>	<b>51.2%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$145,785,359</b>	<b>\$46,654,573</b>	<b>\$99,130,786</b>	<b>68.0%</b>
(1) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(2) Total committed includes expenditures and encumbrances.				
* Amount available would be 66.1% if funds were spent in the same proportion as the previous year.				

## Water Enterprise

WATER OPERATIONS FUND SEPTEMBER 30, 2013					
	BUDGET FY 2013-14	YTD (*) 09/30/2012	YTD (*) 09/30/2013	CHANGE FROM YTD 2012-13 TO YTD 2013-14	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	34,350,000	9,772,622	10,724,174	951,552	9.7%
MISC. SERVICE CHARGES	262,000	79,016	84,065	5,049	6.4%
PROPERTY TAXES	2,865,000	69,995	70,175	180	0.3%
FINES, FORFEITURES & PENALTIES	280,000	90,338	97,983	7,645	8.5%
OTHER REVENUES	360,000	123,676	139,337	15,661	12.7%
<b>TOTAL OPERATING REVENUE</b>	<b>38,117,000</b>	<b>10,135,647</b>	<b>11,115,734</b>	<b>980,087</b>	<b>9.7%</b>
<b>EXPENSES:</b>					
STAFFING	3,295,594	851,408	798,161	(53,247)	-6.3%
INTERDEPARTMENTAL SERVICES	2,015,340	497,351	496,035	(1,316)	-0.3%
PURCHASED WATER	17,650,000	4,944,694	5,622,420	677,726	13.7%
MWD/CWA FIXED CHARGES	5,850,000	1,342,580	1,431,387	88,807	6.6%
OUTSIDE SERVICES/MAINTENANCE	1,199,372	153,223	154,044	821	0.5%
DEPRECIATION/REPLACEMENT	3,475,000	1,122,718	1,125,000	2,282	0.2%
CAPITAL OUTLAY	0	0	0	0	0.0%
MISCELLANEOUS EXPENSES	2,024,096	414,758	666,111	251,353	60.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>35,509,402</b>	<b>9,326,732</b>	<b>10,293,158</b>	<b>966,426</b>	<b>10.4%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>2,607,598</b>	<b>808,915</b>	<b>822,576</b>	<b>13,661</b>	<b>1.7%</b>

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

**Revenues**

- The increase in water delivery revenues is the result of an average 8 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2013.
- The addition of 2,611 water customers (new account charges) over the past year has impacted miscellaneous service charges.
- Higher fines, forfeitures and penalties are the result of an increase in late charges due to rate increases that have occurred over the past several years.
- The increase in other revenues is the result of higher service scrap/recycle sales, interest earnings and the receipt of reimbursements for damage to enterprise property.

**Expenses**

- For Fiscal Year 2013-14, a total of 2.2 full-time positions have been reallocated from the Water Enterprise to other programs to better reflect each programs' workload.
- Though the amount of purchased water only increased by 2.4 percent from the prior fiscal year, an 8 percent rate increase in the cost of water purchased from the SDCWA is the primary driver in this variance.
- In addition to the increase in the cost of purchased water, the fixed costs from Metropolitan Water District (MWD) and the San Diego County Water Authority (SDCWA) continue to increase significantly on an annual basis.
- An increase in meter purchases for the Automated Meter Reading (AMR) program has led to higher miscellaneous expenses this year.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND SEPTEMBER 30, 2013					
	BUDGET FY 2013-14	YTD 09/30/2012	YTD 09/30/2013	CHANGE FROM YTD 2012-13 TO YTD 2013-14	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	11,553,000	3,058,356	3,206,364	148,008	4.8%
INTEREST	38,000	5,570	6,034	464	8.3%
OTHER REVENUES	330,000	90,192	98,169	7,977	8.8%
<b>TOTAL OPERATING REVENUE</b>	<b>11,921,000</b>	<b>3,154,118</b>	<b>3,310,567</b>	<b>156,449</b>	<b>5.0%</b>
<b>EXPENSES:</b>					
STAFFING	2,185,276	511,762	496,356	(15,406)	-3.0%
INTERDEPARTMENTAL SERVICES	1,145,962	270,455	277,542	7,087	2.6%
ENCINA PLANT SERVICES	3,196,500	768,492	799,125	30,633	4.0%
OUTSIDE SERVICES/MAINTENANCE	743,291	64,322	53,376	(10,946)	-17.0%
DEPRECIATION/REPLACEMENT	3,583,000	1,059,098	1,062,500	3,402	0.3%
CAPITAL OUTLAY	0	1,339	0	(1,339)	-100.0%
MISCELLANEOUS EXPENSES	500,365	62,967	72,784	9,817	15.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,354,394</b>	<b>2,738,435</b>	<b>2,761,683</b>	<b>23,248</b>	<b>0.8%</b>
<b>OPERATING INCOME/LOSS</b>	<b>566,606</b>	<b>415,683</b>	<b>548,884</b>	<b>133,201</b>	<b>32.0%</b>

(\*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues

- The increase in charges for current services is primarily the result of an additional 2,490 new residential account fees over the past 12 months, as well as a 2 percent rate increase that went into effect in January 2013.
- Interest revenue is the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. While cash balances in the fund have increased from last year, a 21.8 percent decrease in the yield on the Treasurer's portfolio for the year has tempered this year's earnings.
- The receipt of a reimbursement from the City of Vista in the current fiscal year accounts for the variance to date.

Expenses

- For Fiscal Year 2013-14, a total of 0.65 full-time positions have been reallocated from the Wastewater Enterprise to other programs to better reflect each programs' workload.
- Increased interdepartmental charges are the result of an updated cost allocation plan.
- Encina plant services to date are an estimate of the annual Encina expense prorated on a monthly basis.
- Root removal from sewer mains in the prior fiscal year caused this year-over-year variance in outside services/maintenance.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Miscellaneous expenses have increased due primarily to the purchase of chemicals used for operational testing, purchases of parts and equipment, and increases in the cost of electricity.